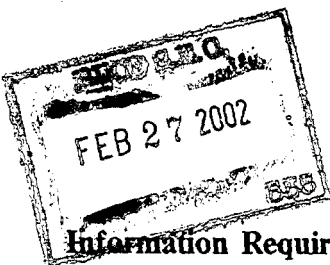


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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 4-1-2001 AND ENDING 12-31-2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Research Finance Inc

FN Absolute Investments Inc

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

(No. and Street)

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

The Walton Group LLC

(Name — if individual, state last, first, middle name)

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☐ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

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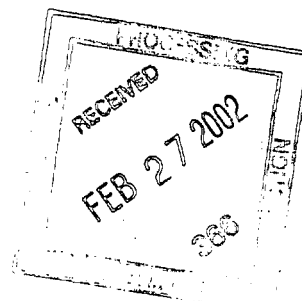
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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ABSOLUTE INVESTMENTS, INC.

FINANCIAL REPORT

**For the Nine Month Period
April 1, 2001 through December 31, 2001**

(With Independent Auditors' Report)

**ABSOLUTE INVESTMENTS, INC.
ANNUAL FINANCIAL REPORT
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FOR THE NINE MONTH PERIOD
APRIL 1, 2001 THROUGH
DECEMBER 31, 2001**

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THE WALTON GROUP, LLC

6100 Southwest Blvd.
Suite 300
Fort Worth, TX 76109
817-731-1155
817-731-1562 (Fax)

• Consultants • Certified Public Accountants • Business Advisors •

INDEPENDENT AUDITORS' REPORT

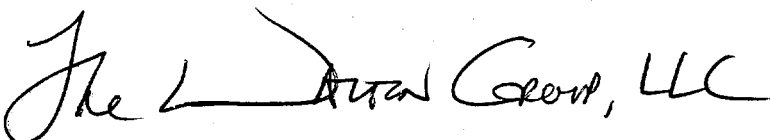
To the Stockholder and Board of Directors
Absolute Investments, Inc.:

We have audited the accompanying statement of financial condition of Absolute Investments, Inc. (the Company) as of December 31, 2001, and the related statements of operations and other comprehensive loss, changes in stockholder's equity and cash flows for the nine month period April 1, 2001 through December 31, 2001, that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001, and the results of its operations and its cash flows for the nine month period April 1, 2001 through December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules on pages 10 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



The Walton Group, LLC
Fort Worth, Texas

January 16, 2002

ABSOLUTE INVESTMENTS, INC.
Statement of Financial Condition
December 31, 2001

ASSETS

Current assets:	
Cash	\$ 18,540
Deposit with clearing organization	10,027
Other assets	3,934
Investments (note 4)	<u>5,950</u>
Total current assets	\$ <u>38,451</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Commissions and other payables	\$ 9,135
Accrued expenses	<u>5,000</u>
Total current liabilities	<u>14,135</u>
Stockholder's Equity:	
Common stock, \$.01 par value, 1,000 shares issued and outstanding	10
Additional paid-in capital	14,990
Retained earnings	22,019
Accumulated other comprehensive loss (note 4)	<u>(12,703)</u>
Total stockholder's equity	<u>24,316</u>
Total liabilities and stockholder's equity	\$ <u>38,451</u>

The accompanying notes are an integral part of these financial statements.

ABSOLUTE INVESTMENTS, INC.
Statement of Operations and Other Comprehensive Loss
For the Nine Month Period
April 1, 2001 Through December 31, 2001

Revenue:	
Commissions	\$ 90,819
Interest	238
Miscellaneous	785
	<u>91,842</u>
Expenses:	
Commissions	68,266
Clearing charges	12,862
NASD regulatory costs	1,280
Other operating expenses	8,342
	<u>90,750</u>
 Net income before other comprehensive loss	 1,092
Other comprehensive loss:	
Unrealized holding losses on marketable securities (notes 4 and 5)	<u>(1,643)</u>
 Total comprehensive loss	 \$ <u>(551)</u>

The accompanying notes are an integral part of these financial statements.

ABSOLUTE INVESTMENTS, INC.
Statement of Changes in Stockholder's Equity
For the Nine Month Period
April 1, 2001 Through December 31, 2001

	<u>Common Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance April 1, 2001	1,000	\$ 10	\$ 14,990	\$ 20,927	\$ (11,060)	\$ 24,867
Net income	-	-	-	1,092	-	1,092
Other Comprehensive Loss: Conversion to Subchapter S Corporation (note 5)	-	-	-	-	(1,952)	(1,952)
Unrealized holding gains on securities (note 4)	-	-	-	-	309	309
Balance, December 31, 2001	<u>1,000</u>	<u>\$ 10</u>	<u>\$ 14,990</u>	<u>\$ 22,019</u>	<u>\$ (12,703)</u>	<u>\$ 24,316</u>

The accompanying notes are an integral part of these financial statements.

ABSOLUTE INVESTMENTS, INC.
Statement of Cash Flows
For the Nine Month Period
April 1, 2001 Through December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Reconciliation of net income to cash provided by operating activities:	
Net income before other comprehensive loss	\$ 1,092
Changes in balance sheet accounts:	
Decrease in Federal income tax refundable	561
Decrease in accounts receivable	421
Decrease in accounts payable	<u>(207)</u>
Net cash provided by operating activities	<u>1,867</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,441)
Decrease in clearing deposit	<u>359</u>
Net cash used by investing activities	<u>(1,082)</u>
Increase in cash	785
Cash and cash equivalents, April 1, 2001	<u>17,755</u>
Cash and cash equivalents, December 31, 2001	<u>\$ 18,540</u>

The accompanying notes are an integral part of these financial statements.

ABSOLUTE INVESTMENTS, INC.
Notes to Financial Statements
For the Nine Month Period
April 1, 2001 Through December 31, 2001

(1) Organization and Summary of Significant Accounting Policies

(a) Nature of Operations

The Company is registered as a dealer with the Securities and Exchange Commission (SEC) under the Federal Securities Exchange Act of 1934. The Company acts as a dealer/investment advisor for certain offerings and does not maintain discretionary accounts for its customers, except for an investment club, of which the stockholder of the Company makes investment decisions; however, the Company does not maintain custody of the related investments. There are no existing obligations of the dealer in regards to offerings made.

The Company's previous year-end was March 31, 2001. Effective April 1, 2001, the Company converted to a Subchapter S Corporation, as allowed by the Internal Revenue Code, and converted to a calendar year-end for both financial reporting and Federal income tax purposes. Accordingly, these financial statements reflect operations for the period April 1, 2001 through December 31, 2001.

(b) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed certain ratios.

(c) Income Taxes

There is no provision for Federal income taxes in the accompanying financial statements for the period April 1, 2001 through December 31, 2001. The Company has filed an election to be treated under Subchapter S of the Internal Revenue Code, effective as of April 1, 2001. Income tax liabilities on net income are now the responsibility of the individual stockholders.

See also note 5.

(d) Cash Flows

For purposes of the statement of cash flows, the Company includes cash in banks and similar accounts as cash equivalents.

ABSOLUTE INVESTMENTS, INC.
Notes to Financial Statements
For the Nine Month Period
April 1, 2001 Through December 31, 2001

(1) Organization and Summary of Significant Accounting Policies (Continued)

(e) Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(2) Possession or Control Requirements

There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of SEC Rule 15c3-3 (K)(2)(i) concerning promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts; the Company does not have any possession or control of customer funds or securities.

(3) Concentration of Credit and Market Risk

The Company is a securities broker with offices in Fort Worth, Texas and executes stock transactions through Southwest Securities. All receivables relating to such transactions are due from Southwest Securities.

Concentration of credit risk also consists of cash and investments. The Company places its cash with quality financial institutions, and by policy, limits the amount of exposure to any one financial institution. The Company has investments which are subject to changes in fair market value.

(4) Investments

Investments are composed of the following at December 31, 2001:

	<u>Cost</u>	<u>Market</u>
Corporate securities:		
Excelon Corporation	\$ <u>18,653</u>	\$ <u>5,950</u>

The Company's investments were classified as available-for-sale.

The unrealized appreciation is recorded as other comprehensive income or loss in the accompanying financial statements, as a component of stockholder's equity.

ABSOLUTE INVESTMENTS, INC.
Notes to Financial Statements
For the Nine Month Period
April 1, 2001 Through December 31, 2001

(4) Investments (Continued)

The change in unrealized appreciation for the nine month period April 1, 2001 through December 31, 2001 is as follows:

Unrealized appreciation at April 1, 2001	\$ 13,012
Unrealized appreciation during the period	<u>(309)</u>
Unrealized devaluation at December 31, 2001	\$ <u>12,703</u>

There has been no significant change in the market value of the investments subsequent to year-end, through January 16, 2002.

(5) Deferred Tax Asset

A deferred tax asset in the amount of \$1,952, relating to the unrealized devaluation of marketable securities, was recorded on the books in the prior year. In the current year, the Company was approved by the Internal Revenue Service to operate under Subchapter S of the Internal Revenue Code, effective April 1, 2001. Accordingly, the deferred tax asset was removed from the books during the period April 1, 2001 through December 31, 2001, as a component of other comprehensive income.

(6) Liabilities Subordinated to Claims of General Creditors

There were no liabilities subordinated to the claims of general creditors at December 31, 2001, or during the period from April 1, 2001 through December 31, 2001.

Supplemental Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
As of December 31, 2001 and
For the Nine Month Period
April 1, 2001 Through December 31, 2001

ABSOLUTE INVESTMENTS
Supplemental Schedules Required by Rule 17a-5
As of December 31, 2001 and For the Nine Month Period
April 1, 2001 Through December 31, 2001

Computation of Net Capital

Total stockholder's equity	\$ 24,316
Haircuts	<u>(1,108)</u>
Net allowable capital	\$ <u>23,208</u>

Computation of Basic Net Capital Requirement

Minimum net capital required	\$ <u>942</u>
Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>5,000</u>
Net capital requirement	\$ <u>5,000</u>
Excess net capital	\$ <u>18,208</u>

Computation of Aggregate Indebtedness

Total aggregate indebtedness	\$ <u>14,135</u>
Percentage of aggregate indebtedness to net allowable capital	<u>61%</u>

ABSOLUTE INVESTMENTS
Supplemental Schedules Required by Rule 17a-5
As of December 31, 2001 and For the Nine Month Period
April 1, 2001 Through December 31, 2001

Exemptive Provisions Under Rule 15c3-3

The Company is exempt from Rule 15c3-3 because all customer transactions are cleared through another broker-dealer on a fully disclosed basis. The name of the clearing firm is Southwest Securities, Inc.

Statement of Changes in Liabilities Subordinated to Claims of General Creditors

Balance of such claims at April 1, 2001	\$ -
Additions	-
Reductions	<u>-</u>
Balance of such claims at December 31, 2001	\$ <u>-</u>

Reconciliation of the Computation of Net Capital Under Rule 15c3-1

There were no material differences in the computation of net capital between these audited financial statements and the Company's unaudited FOCUS reports.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL**

THE WALTON GROUP, LLC

6100 Southwest Blvd.
Suite 300
Fort Worth, TX 76109
817-731-1155
817-731-1562 (Fax)

• Consultants • Certified Public Accountants • Business Advisors •

To the Board of Directors
Absolute Investments, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Absolute Investments, Inc. (the Company), for the nine month period April 1, 2001 through December 31, 2001, we considered its internal control, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control, and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

We noted and have described below, a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiency in the design and operation of the Company's internal control structure that, in our judgment, could adversely affect the Company's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

As discussed above, our audit disclosed the following matter involving the internal control structure and its operation that we consider to be a reportable condition:

Only one person is responsible for all accounting and reporting functions. Accordingly, there is little segregation of duties. The hiring of additional employees to improve the segregation of duties does not appear to be cost beneficial at this time.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of management and the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "The L. Dean Grant, LLC". The signature is written in a cursive, flowing style.

January 16, 2002